

What Makes Franchisees Trust Their Franchisors?

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Abstract

The success of relationships depends upon trust among the partners involved. In franchise relationships, a lack of trust of franchisees in their franchisor will negatively affect franchise system performance. However, very little is known about how franchisors can maintain and/or create trust among their franchisees. The aim of this paper is therefore to develop a theoretical framework on antecedents of franchisees' trust in their franchisors and franchise systems. We integrate literature on franchising with literature on trust in other organizational contexts to develop our theoretical framework. We argue that a franchisee's general propensity to trust combined with its perception of trustworthiness of its franchisor and franchise system determines this franchisee's level of organizational trust. We distinguish three franchise system components that each entail a set of determinants by which franchisees evaluate a franchisor's and franchise system's trustworthiness; the system's strategic positioning in the market, the system's operational management, and franchisee management. Insights into these determinants provide franchisors with important information on potentially relevant instruments to strengthen trust among their franchisees.

Keywords

Franchisee trust, personal trust, organizational trust, trustworthiness

1 Introduction

In business format franchising, a parent organization (the franchisor) replicates a business format - entailing a positioning in the market and internal procedures - by allowing independent small business owners (franchisees) to use the format in return for fees (Davies et al., 2011). These franchisees form part of a franchise system with units that all operate under this business format. In many regions, busi-

ness format franchising has become an increasingly important instrument for entrepreneurial wealth creation, accounting for a large share of business in a wide range of industries, such as retailing, fast food, hospitality, construction, accounting and funeral services (Szulanski and Jensen, 2008). For example, the United States have over 1500 franchise systems, representing more than 760,000 franchisees and almost 18 million employees (Dant, 2008). In Europe the situation is similar; in the Netherlands, for example, franchising has a market share of 80% in food retailing and 71% in non-food retailing (Van Essen and Pleijster, 2009).

The franchise relationship between a franchisor and a franchisee is characterized by mutual interdependence; the franchisor relies upon its franchisee to perform at expected levels and within specified guidelines, whereas the franchisee relies upon its franchisor for support. Such mutually interdependent relationships, of which franchise relationships are a specific subset, have been widely cited as relying on mutual trust to be successful (Zaheer et al., 1998). However, franchise relationships are characterized by asymmetrical control; by virtue of the franchise contract the franchisor generally has more power than its individual franchisees and this may make the franchisee vulnerable to opportunistic behaviors by the franchisor (cf. Davies et al., 2011). A lack of trust among franchisees in their franchisor and franchise system may lead to various kinds of undesired franchisee behavior, such as diminished efforts to comply with franchise regulations or franchisees leaving the franchise system (Davies et al., 2011). Such franchisee behaviors will lead to all kinds of problems, such as diminished system sales, problematic franchisee recruitment, and ultimately a decreasing and/or stagnating franchise system profitability. In sum, franchisors have a large economic interest in maintaining and/or creating franchisees' trust in them, since franchisees form an important ingredient of their franchise systems' success (cf. Michael and Combs, 2008).

Despite the importance of the topic, franchisee trust has so far received relatively little research attention, and very little is known about how franchisors can maintain and/or create trust among their franchisees. The largest part of the franchising literature has examined franchising from the franchisor's perspective (cf. Michael and Combs, 2008; Combs et al., 2011), for example by explaining why franchisors use franchised units as opposed to company-owned units and how this decision affects franchise system performance (e.g. Combs et al., 2009). Much less research has taken the franchisee's perspective (exceptions are Kidwell et al., 2007; Michael and Combs, 2008; Davies et al., 2011). As a result, we have a relatively limited understanding of perceptions, motivations and behaviors of franchisees as a specific type of small business owner.

The lack of research on the franchisees' perspective has also resulted in a very limited understanding of antecedents and/or consequences of franchisee trust. There are a handful of studies available, most of which have focused on the consequences of franchisee trust, for example regarding the level of franchisee compliance (cf. Davies et al., 2011), long-term orientation and satisfaction (cf. Bordonaba-Juste and Polo-Redondo, 2004; Chiou et al., 2004) and performance (cf. Dahlstrom and Nygaard, 1995; Bordonaba-Juste and Polo-Redondo, 2004). Some authors have focused on antecedents of franchisee trust, but either in an explora-

tive way (e.g. Croonen, 2010) or with a very limited number of antecedents (e.g. Dahlstrom and Nygaard, 1995; Chiou et al., 2004). Additionally, franchising researchers seem to have largely considered franchisee trust as a unidimensional construct (see Croonen, 2010 and Davies et al., 2011 for exceptions), whereas literature on trust in general distinguishes different dimensions and levels of trust, each with specific antecedents and/or consequences (e.g. Zaheer et al., 1998; Searle et al., 2011).

Considering the above, our paper contributes to the literature in multiple ways. First, we add to the franchising literature by taking the franchisee's perspective as opposed to the franchisor's perspective, which has attracted most research attention in the past (cf. Dant, 2008; Michael and Combs, 2008; Davies et al., 2011). Second, given the importance of franchisee trust for franchise system performance, the lack of research on antecedents of franchisee trust represents an important knowledge gap in the franchising literature. This paper aims to fill this gap by developing a theoretical framework on antecedents of franchisee trust by means of taking a multidimensional approach in defining franchisee trust. In doing so, we integrate franchising literature with literature on trust in other organizational contexts.

The structure of this paper is as follows. First, we define trust in general and we distinguish several forms of trust and levels of analysis. We then deal with trust in a franchise context and discuss different dimensions and levels of franchisee trust. Second, we build a theoretical framework on antecedents of franchisee trust by building on different literature streams. Finally, we conclude the paper by presenting our theoretical framework on the antecedents of franchisee trust and discuss the implications for research and practice.

2 Franchisee Trust: Definitions, Dimensions and Levels of Analysis

2.1 Trust in General: Definitions, Dimensions and Levels of Analysis

Mayer et al. define trust as 'the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party' (Mayer et al., 1995, p. 712). This definition has been adopted by a number of other authors who all identify two critical components of trust, viz. (1) a trustor's positive expectations regarding a trustee's intentions or behavior, (2) a willingness to be vulnerable, thus accepting a level of risk in the relationship (cf. Rousseau et al., 1998; Zaheer et al., 1998; Six and Sorge, 2008). Following this body of literature, this paper distinguishes between a trustor (i.e. the party that has a certain degree of trust) and a trustee (i.e. the party that is trusted).

Researchers generally distinguish two dimensions of trust (cf. Nooteboom, 1999; Davies et al., 2011). The first dimension of trust is trust in the other party's

competencies to perform a certain action that is important to the trustor. This type of trust is termed competence trust (cf. Nooteboom, 1999). The second trust dimension entails a party's trust in the other partner's intentions or integrity, which refers to a party's expectation that the other party will demonstrate appropriate behavior. This type of trust is referred to as intentional trust (cf. Nooteboom, 1999). These two trust dimensions are very similar to the three trustworthiness dimensions of Mayer et al. (1995); ability, integrity and benevolence. Ability is related to competence trust, whereas the dimensions of integrity and benevolence are related to intentional trust. Mayer et al. argue that their three trustworthiness dimensions help in understanding why party A perceives party B as trustworthy, and ultimately why party A trusts party B (see section 3.1 for a more elaborate discussion on the link between trust and trustworthiness).

In addition to distinguishing multiple dimensions of trust and trustworthiness, extant literature explicitly makes a distinction between (inter)personal and (inter)organizational levels of trust (e.g. Zaheer et al., 1998; Nooteboom, 1999; Bachmann, 2001; Currall and Inkpen, 2002; Searle et al., 2011). As argued earlier, trust is based on positive expectations about a trustee's behavior. The trustee can be an individual or an organization. Trust in an individual results from direct interactions with this specific individual, whereas trust in an organization is based on the image that a trustor carries of an organization as a result of decisions and actions of this organization. Nooteboom (1999, p. 28) argues that 'organizational trust is a constellation of behavioral trust (i.e. personal trust, the authors), with organizational structure and culture acting as institutions that limit and guide behavior of staff.' In other words, in organizations there are certain explicit or implicit norms for how things are generally done. In real life, individuals within organizations may deviate from these norms because of conflicting interests. Some scholars have indeed empirically confirmed the relevance of this difference between personal and organizational trust. For example, in their study on 107 buyer-supplier relationships, Zaheer et al. (1998) argued and could confirm that interpersonal and interorganizational trust are related but distinct constructs and that they have different effects on organizational outcomes. As a result, Zaheer et al. (1998) argue that studies on trust between organizations should clearly specify the level of the trustee in order to avoid the risk of the 'cross-level fallacy' (i.e. attributing individual motivations and behaviors to organizations).

Zaheer et al. (1998) convincingly argue that it is not correct to say that organizations trust each other; individuals within organizations may collectively share a trust orientation toward another organization, but this is quite different from saying that an organization has trust. We follow this argument as illustrated in Table 1; a trustee can be an individual or an organization, but a trustor can only be an individual. As Table 1 demonstrates, we use the term personal trust to refer to an individual's trust in another individual. In an organizational context, these individuals can belong to an organization, or have an individual relationship with it. Personal trust can entail, for example, trust of one person in a colleague of the same organization (co-workers or managers, e.g. Gould-Williams, 2003; Ferrin and Dirks, 2003), or trust of one individual 'boundary spanner' in its counterpart in a partner organization (e.g. Zaheer et al., 1998), or trust of an individual cus-

tomer in a specific representative of a supplying organization (e.g. Dahlstrom and Nygaard, 1995). In contrast, organizational trust refers to an individual's trust in an organization. For example, this can entail an employee's trust in the organization that it works for (e.g. Hodson, 2004; Gillespie and Dietz, 2009), or an individual boundary spanner's trust in a partner organization (e.g. Zaheer et al., 1998), or trust of an individual customer in its supplying organization (e.g. Saporito et al., 2004).

Table 1: Distinguishing between Personal and Organizational Trust

		The trustee (i.e. the party that is trusted)	
		Individual	Organization
The trustor (i.e. the party that has a certain degree of trust)	Individual	<i>Personal trust</i>	<i>Organizational trust</i>

In the present section, we have argued that trust is a multi-dimensional and multi-level construct. Even though researchers have increasingly recognized this in the literature on trust in other organizational contexts (cf. Zaheer et al., 1998), the franchising literature generally does not take this into account. In the next section we will therefore further discuss the different dimensions and levels of franchisee trust.

2.2 Franchisee Trust: Definitions, Dimensions and Levels of Analysis

Translating Mayer et al.'s widely-used trust definition to a franchising context leads to the following definition of franchisee trust: 'the willingness of a franchisee to be vulnerable to the actions of its franchisor based on the expectation that the franchisor will perform particular actions important to the franchisee, irrespective of the franchisee's ability to monitor or control the franchisor' (cf. Mayer et al., 1995). This definition is very similar to the definition of franchisee trust of Davies et al. (2011) who also point at franchisees' positive expectations regarding their franchisors' behaviors and a willingness to accept vulnerability to the franchisor's actions.

The previous section has pointed at the importance of distinguishing different dimensions of trust (i.e. competence and intentional trust); however, this distinction has rarely been made in the franchising literature. Only Davies et al (2011) use a multi-dimensional approach to explain franchisee compliance by distinguishing between a franchisee's trust in the franchisor's competences and the

franchisor's integrity. They found for example that franchisee compliance to franchisor requests is more strongly influenced by integrity trust (cf. intentional trust) than by competence trust, which empirically confirms the multi-dimensional nature of trust in a franchising context.

The multi-level approach to trust, distinguishing between personal and organizational trust, has also rarely been applied in the extant franchising literature. Dahlstrom and Nygaard (1995) do point out that they focus on antecedents and consequences of interpersonal trust in franchised channels (i.e. trust of unit owners/managers in their organizations' sales managers); however, they do not explicitly distinguish this from organizational trust. Another study by Croonen (2010) did find a difference between a franchisee's personal trust (i.e. trust in specific representatives of the franchisor's organization), and franchise system trust (i.e. a form of organizational trust referring to the franchisee's trust in the fair and effective functioning of the franchisor's organization and its franchise system). These two levels of franchisee trust are presented in Table 2. Croonen analyzed four case studies and concluded that personal trust is generally considered important by franchisees. However, when franchisees feel very dependent on their franchisor it is not sufficient any more. Franchisees that felt dependent on their franchisor paid more weight to trust in the franchisor's organization and its franchise system and less weight to trust in specific franchisor representatives, for example because these representatives could leave the organization, which indeed frequently occurred.

Table 2: Distinguishing between Personal and Organizational Trust of a Franchisee

		The trustee (i.e. the party that is trusted)	
		An individual representative of the franchisor's organization	The franchisor's organization and its franchise system
The trustor (i.e. the party that has a certain degree of trust)	The franchisee as an individual	<i>Personal trust</i>	<i>Organizational trust</i> <i>(The focus of the remainder of this paper)</i>

We conclude that franchisee trust is indeed a multi-dimensional and multi-level concept, which means that different dimensions and levels of franchisee trust may have different antecedents and consequences. The objective of this paper is to provide researchers and practitioners with insights into how to create and/or maintain franchisee trust, which is why we focus on the antecedents of trust instead of the consequences. We also choose to focus on the franchisee's organizational trust

as opposed to the franchisee's personal trust (i.e. the right side in Table 2). We do so for several reasons. First, as we pointed out, in franchise relationships franchisees that feel dependent - which is specifically the case in centralized or standardized franchise systems - deem trust in the franchisor and its franchise system more important than personal trust in specific franchisor representatives. Second, organizational trust is more complex and thus more difficult to manage than personal trust. So, franchising researchers and practitioners would benefit the most from a better understanding of the antecedents of franchisee's trust in its franchisor and franchise system. Probably as a result of the complexity of organizational trust, there hardly is a coherent theory on the antecedents of organizational trust and trustworthiness (cf. Gillespie and Dietz, 2009 for a discussion and one of the few exceptions), while for franchise systems as a specific organizational context there is no extant theory on antecedents of trust and trustworthiness at all. The following section is a first step to build a theoretical framework on these antecedents.

3 Towards a Theoretical Framework on Antecedents of Franchisees' Trust in their Franchisor and Franchise System

3.1 Introduction

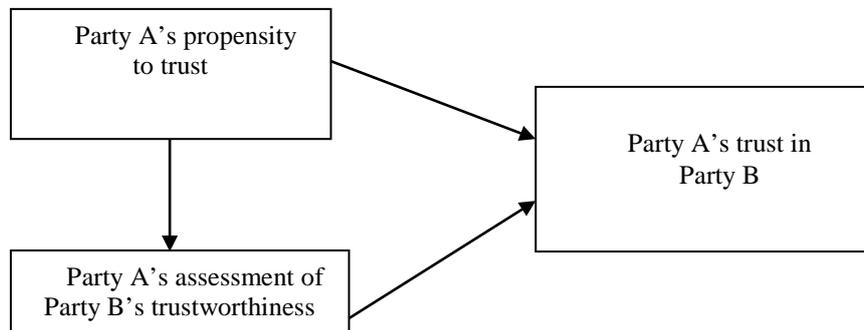
As pointed out, franchisee trust forms a relatively under researched area in the franchising literature and its antecedents are even less well-understood than its consequences. The few studies on antecedents of franchisee trust have pointed at several (potentially) relevant antecedents, such as the franchisor's communication and service assistance (Chiou et al., 2004), the organization's level of centralization and formalization (Dahlstrom and Nygaard, 1995), fee structures and the organization of a Franchise Advisory Council (FAC) (Croonen, 2010). However, these sources have serious limitations since they do not distinguish between different levels of trust or focus on personal trust (cf. Chiou et al, 2004; Dahlstrom and Nygaard, 1995), or only explore some potentially relevant antecedents of franchise system trust (cf. Croonen, 2010). The theoretical framework that we develop in this section aims to provide a more systematic insight into antecedents of franchisees' trust in their franchisors and franchise systems. In doing so we build on literature on organizational trust in general and combine this with franchising literature.

It is often argued that a party A's trust in party B is the result of (1) the characteristics of party A, or more specifically party A's propensity to trust, and (2) party A's assessment of the trustworthiness of party B (e.g. Mayer et al., 1995; Mayer and Davis, 1999, Colquitt et al., 2007; Schoorman et al., 2007). This idea is reflected in Figure 1, which is applicable in various empirical contexts and to both personal and organizational trust. In this paper we focus on franchising as the empirical context and on organizational trust. This leads to a first proposition:

- ✓ *Proposition 1: A franchisee's trust in its franchisor and franchise system is a function of this franchisee's propensity to trust organizations, and this franchisee's assessment of the trustworthiness of its franchisor and franchise system.*

In the following sections, we will further translate the elements of this Figure to a franchising context and develop a number of related propositions.

Figure 1: General antecedents of trust



3.2 A Franchisee's Propensity to Trust and Franchisee Experience level

A party's propensity to trust ('dispositional' or 'generalized' trust) is an individual trait reflecting expectancies about the trustworthiness of others in general (Rotter, 1971; Mayer et al., 1995; Colquitt et al., 2007); it reflects a general willingness to trust others. Typical items to measure an individual's propensity to trust are: 'In dealing with strangers one is better off to be cautious until they have provided evidence that they are trustworthy', or 'I believe that most people are basically well-intentioned' (cf. Mayer et al., 1995; Searle et al., 2011).

Researchers generally assume that a trustor's trust propensity is positively related to this trustor's trust in a trustee, and that this is especially true for the early stages of a relationship in which the trustor does not have a lot of information available to assess the trustworthiness of the other. However, there is a discussion on whether trust propensity continues to impact trust once trustworthiness has been determined (see Colquitt et al. 2007 for a meta-analysis). Several authors have argued that trust propensity creates a 'filter' by which the trustor will continue to assess the trustee's trustworthiness, even in the presence of trustworthiness information. The meta-analysis of Colquitt et al. (2007) confirms this argument, which is why there is an arrow between a party A's propensity to trust and a party A's assessment of party B's trustworthiness.

To our best knowledge, an individual's propensity to trust is typically measured as the individual's propensity to trust other individuals in general (see the items above for examples). However, we propose that a multi-level approach

would apply here as well, and that a distinction should be made between an individual's propensity to trust other individuals and an individual's propensity to trust organizations. Even though we have never seen this distinction in the literature before, it may be relevant because organizations are complex social systems and intentions of individuals within these organizations may be 'overruled' by the organization's formal or informal power structures. We argue that, as a result of this organizational complexity, a person's propensity to trust individuals or organizations are not necessarily identical. This means that in our propositions we will deliberately use the term propensity to trust organizations.

In sum, we propose that a franchisee's propensity to trust organizations may have both a direct and an indirect effect on the franchisee's trust in its franchisor and franchise system, where the strength of the effects is dependent on the franchisee's experience as a franchisee in the specific franchise system. This leads to the following propositions:

- ✓ *Proposition 2a: A franchisee's propensity to trust organizations has a positive direct and a positive indirect effect on this franchisee's trust in its franchisor and franchise system.*
- ✓ *Proposition 2b: The direct effect of propensity to trust organizations is stronger for novice franchisees than for experienced franchisees.*
- ✓ *Proposition 2c: The direct effect of a franchisee's assessment of the trustworthiness of its franchisor and franchise system on the franchisee's trust is stronger for experienced franchisees than for novice franchisees.*

3.3 A Franchisee's Assessment of Trustworthiness of its Franchisor and Franchise System

3.3.1 Introduction

A well-known framework for assessing an individual's or organization's trustworthiness is formed by the three dimensions of Mayer et al. (1995): ability, integrity and benevolence. The first dimension, ability, refers to the trustor's perception that the trustee has a set of skills, competencies and characteristics that are necessary to have influence within a specific domain. It is important to recognize that a trustor may perceive a trustee to have ability in one domain (e.g. in producing a certain good), but that it may perceive a lack of ability in another (e.g. in communication with customers). The second trustworthiness dimension, integrity, refers to the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable. Finally, benevolence refers to the extent to which a trustor believes that a trustee wants to do good to the trustor aside from an egocentric profit motive.

Even though these three dimensions already provide some insights into how organizations (i.e. franchisors) can create and/or maintain an image of trustworthiness, the three dimensions are still broad constructs, and the exact criteria that trustors use to evaluate a trustee's trustworthiness depend on the specific organizational context. As we pointed out earlier, there has hardly been a coherent theory or model to understand the antecedents of an organization's (un)trustworthiness.

The few studies available discuss a wide range of determinants of individuals' assessments of an organization's trustworthiness, such as quality assurance, interactional courtesy (cf. Caldwell and Clapham, 2003; Ingenhoff and Sommer, 2010), the use of certain employment practices (cf. Hodson, 2004; Searle et al., 2011), and strategy and structures, policies and processes (Gillespie and Dietz, 2009).

All these literature sources are focused on trustworthiness in rather general organizational contexts, such as employees' assessment of their employers' trustworthiness (cf. Hodson, 2004; Searle et al., 2011). Other authors have adopted the approach of surveying students about what factors they considered to be important in a highly trustworthy organization (cf. Caldwell and Clapham, 2003), or of surveying people about a company chosen by themselves (cf. Ingenhoff and Sommer, 2010). These extant models of organizational trustworthiness cannot be transferred directly to a franchising context since franchise systems form a very specific organizational context. Franchise systems comprise networks of independent business owners that all operate under more or less the same business format. As opposed to 'regular' organizational members, franchisees are legally independent business owners, that take the risk of investing capital in their units' assets, that are their units' residual claimants, and generally enjoy some decision rights (Ketchen et al., 2011; Yin and Zajac, 2004; Sorenson and Sørensen, 2001). Because of these specific characteristics, it is plausible that franchisees use other criteria to assess their organization's trustworthiness than 'regular' organizational members do. In sum, existing studies do not provide sufficient insights into the antecedents of franchisees' assessment of their franchisor's and franchise system's trustworthiness.

To summarize, in order to understand how franchisees assess the trustworthiness of their franchisor and franchise system, a new model needs to be developed. In doing so, we build on the idea of Gillespie and Dietz (2009) who use a system approach by dividing a franchise system into different 'components. Each component comprises a group of determinants by which franchisees assess the trustworthiness of their franchisor and franchise system. Additionally, we integrate the determinants of organizational trustworthiness in other organizational contexts into our own model.

3.3.2 Determinants of the trustworthiness of a franchisor and its franchise system

We distinguish three main components that each comprise a group of determinants by which franchisees assess the trustworthiness of their franchisor and franchise system: (1) strategic positioning, (2) operational management, and (3) franchise relationship management. Since franchisees pay for the right to use the franchisor's business format, we argue that the business format forms an important component of how franchisees assess the trustworthiness of their franchisor and its franchise system. This business format entails both strategic and operational elements, which we will both take into account in our model of franchise system trustworthiness. First, the business format reflects a certain identity in a certain market by which the franchisor aims to target its 'unique competitive niche' (cf.

Kaufmann and Eroglu, 1998, p. 71). We refer to this as the franchise system's strategic positioning in the market.

Second, the business format contains a wide range of operational policies and procedures that form the foundation for the format's effective and efficient functioning at the individual store level and at the system level ('format facilitators' in terms of Kaufmann and Eroglu, 1998). These operational policies contain for example the specification of equipment, detailed operating instructions for each unit, royalty payment procedures or financial reporting requirements. Although these business format elements are not directly visible to customers, they are critical because they comprise the managerial and operational infrastructure of the entire franchise system and its units (cf. Kaufmann and Eroglu 1998). Therefore, we argue that franchisees will take into account these operational issues in assessing their franchise system's trustworthiness. We refer to this as the franchise system's operational management and this is the second main component in our model of franchisor and franchise system trustworthiness.

The third and final main component of franchisor and franchise system trustworthiness refers to the way the franchisor manages its franchisees. In the general organizational trustworthiness literature (cf. Hodson, 2004; Searle et al., 2011), it is argued that organizations have to respect their employees' rights and interests, for example through the provision of stable and secure employment, adequate pay and benefits. These studies focus on how organizations can use employment or human resource management (HRM) practices to maintain or increase their trustworthiness. Although these ideas cannot be directly applied to franchise relationships since these involve independent business owners, franchisors also need to demonstrate respect for their franchisees' rights and interests (cf. Storholm and Scheuing, 1994; Morrison, 1997). This is why we include franchise relationship management as the third main component of franchisor and franchise system trustworthiness.

These three main components can be related to Mayer et al.'s widely-used trustworthiness dimensions of ability, integrity and benevolence (Mayer et al., 1995). Table 3 shows how the three components together cover all three dimensions; the crosses indicate the main links between the dimensions and the components. First of all, the franchisor's ability to manage the franchise system in an effective way is reflected in all three system components. The franchisor needs to be able to organize the franchise system in such a way that it can attain an organizational advantage (cf. Hodson, 2004) by defining a viable positioning in the market, setting up a good operational structure and by having high-quality and satisfied franchisees. Second, a franchisor's integrity and benevolence in managing the franchise system is clearly reflected in the component of franchise relationship management. Through the practices used in franchise relationship management, franchisors can demonstrate that they adhere to principles that the franchisees find acceptable and that they want to do good to their franchisees in addition to their own egocentric motives.

Table 3: The relationships between franchise system components (columns) and Mayer et al.'s trustworthiness dimensions (rows)

	Ability	Integrity	Benevolence
The franchise system's strategic positioning in the market	X		
The franchise system's operational management	X		
Franchise relationship management	X	X	X

Component 1: The franchise system's strategic positioning in the market

The franchisor's business format ideally entails a unique positioning that serves a need in a viable customer segment (cf. Kaufmann and Eroglu, 1998). According to Kaufmann and Eroglu, the business format contains several elements that help in communicating the unique features of the business format to the customers. The business format is the franchisor's responsibility, and we thus argue that franchisees will evaluate the trustworthiness of their franchise system by evaluating the franchisor's ability to develop a business format that has unique features for customers, and the franchisor's ability to communicate these features to the customers (cf. Kaufmann and Eroglu, 1998).

We distinguish the following determinants by which franchisee's assess their franchise system's strategic positioning in the market (cf. Kaufmann and Eroglu, 1998; Sullivan and Adcock, 2002; Croonen, 2006):

- ✓ The 'product/service deliverables' (cf. Kaufmann and Eroglu, 1998). Franchisees will assess whether their franchisor is able to compose an assortment of goods and services at a certain price level that has unique features and defines a viable competitive niche.
- ✓ Promotion. This refers to the franchisees' assessment whether the franchisor is able to develop promotion policies that communicate the unique features of the business format to the customers and that attract the customers' attention and that help in strengthening the format's brand name. This can for example be done through the franchise system's website, television promotion campaigns, and/or by sending out promotion materials to customers.
- ✓ Unit appearance. This determinant entails the franchisees' assessment whether the franchisor is able to develop a design for the units that clearly communicates the features of the business format, for example in terms of color schemes or materials used.

The three determinants are all related to the franchise system's overall strategic positioning in the market, and the franchisees' should assess these positively. However, a major strategic and managerial issue in a franchising context is the trade-off between standardization and adaptation (cf. Kaufmann and Eroglu, 1998;

Bradach, 1997). A high level of standardization leads to image consistency, cost minimization, and it facilitates system adaptation, but sometimes the business format may need to be adapted to local circumstances and the franchisees' desires, especially in mature industries and with experienced franchisees. We therefore argue that – next to the above three determinants - franchisees will also assess their franchise system's strategic positioning in the market by the degree to which they are allowed to adapt the 'product/service deliverables', promotion activities and unit appearance to their own local circumstances when necessary.

The above considerations lead to the following proposition:

- ✓ *Proposition 3: The franchisee's assessment of its franchise system's strategic positioning in the market positively influences the franchisee's assessment of the trustworthiness of its franchisor and franchise system.*

Component 2: The franchise system's operational management

In addition to a certain positioning in the market, the franchisor's business format also entails procedures and policies that form the foundation of the format's effective and efficient functioning at the individual store level and at the system level (cf. Kaufmann and Eroglu, 1998). These are generally referred to a franchisor services and they entail for example, central purchasing, training, site selection, quality programs, sales forecasts, and ICT support (cf. Morrison, 1996; Windsperger, 2004; Croonen, 2006; Gillis and Combs, 2009; Roh and Yoon, 2009). We argue that franchisees will assess their franchise system's trustworthiness by assessing the franchisor's ability to provide a range of operational support services. On the basis of the above considerations from the franchising literature and some additions from the general organizational trustworthiness literature, we distinguish between the following determinants of trustworthiness that fall under the franchisor's operational management:

- ✓ Purchasing (cf. Kaufmann and Eroglu, 1998; Windsperger, 2004; Roh and Yoon, 2009). The franchise agreement often contains purchasing requirements from designated suppliers, not only for the goods provided to the customers, but also of business assets such as store furniture, cars or ICT systems. The franchisees will assess the franchise system's trustworthiness by means of the conditions under which these goods and/or assets are supplied, such as the quantities of goods/assets that have to be ordered and the price levels of these goods/assets.
- ✓ Logistics (cf. Croonen, 2006). This refers to the actual delivery of goods and assets by the designated suppliers and it entails issues such as timely delivery, flexibility in delivery and the care with which the goods/assets are delivered.
- ✓ ICT systems (cf. Kaufmann and Eroglu, 1998; Windsperger, 2004; Croonen, 2006; Roh and Yoon, 2009). Franchise contracts often stipulate the franchisee's obligatory use of certain ICT systems, such as accounting systems, benchmarking systems or payment systems. Franchisees will assess the quality of these systems and they will assess the level of support that they receive in case of problems with these systems.

- ✓ Site selection and sales forecasts (cf. Roh and Yoon, 2009). This refers to the franchisees' evaluation of the franchisor's competencies regarding the selection of viable sites and the composition of realistic sales forecasts.
- ✓ Quality assurance (cf. Caldwell and Clapham, 2003; Ingenhoff and Sommer, 2010). This element refers to the franchisee's assessment of the extent to which the franchisor understands standards of quality, for example in methods of operation, and adheres to them on a continuous basis.
- ✓ Legal compliance (cf. Caldwell and Clapham, 2003; Ingenhoff and Sommer, 2010). This entails the franchisee's assessment of the degree to which the franchisor understands and follows applicable laws in the specific customer market.
- ✓ Overall support (cf. Morrison, 1996; Roh and Yoon, 2009). This refers to the support and/or assistance that franchisees perceive to receive when they specifically ask for it. This entails for example support in several functional areas, such as marketing, finance, production, or human resource issues.

The above considerations lead to the following proposition:

- ✓ *Proposition 4: The franchisee's assessment of the franchise system's operational management positively influences the franchisee's assessment of the trustworthiness of its franchisor and franchise system.*

Component 3: Franchise relationship management

As pointed out earlier, literature on employees' assessment of their employer's trustworthiness has included HRM practices as an important antecedent (e.g. Whitener, 2001; Gould-Williams, 2003; Hodson, 2004; Searle et al., 2011). HRM entails a set of practices directed at attracting, developing, and maintaining (or disposing of) a firm's human resources (cf. Lado and Wilson, 1994). The main conceptual link between HRM and organizational trustworthiness is that formal HRM policies and the way they are enacted within an organization affect the employees' assessment of trustworthiness of their organization because this provides the employees with an indication of the organization's ability, integrity and benevolence.

The same line of reasoning can be used for franchise relationship management: the way in which franchisors attract, develop and maintain their franchisees provides the franchisees with an indication of their franchise system's trustworthiness. As Castrogiovanni and Kidwell (2010) point out, franchisees are key human resources for franchisors, and an HRM perspective – of course translated to a franchising context – can thus provide a valuable contribution to understanding franchise relationship management. However, such an approach has rarely been used; the article of Castrogiovanni and Kidwell is the only exception that we know. Their conceptual article discusses the differences between franchisees and company managers in terms of three HRM practices: recruitment and selection, training and development, and rewards. However, there have so far been no studies using an HRM perspective to study how franchise relationships are managed

and how this impacts franchisee trust. In this paper we will take a conceptual step in that direction.

In recent years, HRM research has focused on so-called ‘high performance’, ‘high involvement’ or ‘high commitment’ HR practices (cf. Snell and Dean, 1992; Huselid, 1995; Whitener, 2001; Gould-Williams, 2003; Evans and Davis, 2005). In this literature stream it is argued that certain bundles of HR practices positively affect organizational performance; however, the link between these HR practices and output measures is often taken for granted, and very few researchers have explicitly focused on how HR practices impact organizational members’ trust levels (cf. Gould-Williams, 2003).

An HRM perspective can contribute to developing a systematic theoretical framework for a franchising context because the HRM literature generally distinguishes different HRM ‘domains’ or ‘bundles’ that together form a consistent system of HRM practices (e.g. Evans and Davis, 2005; Searle et al., 2011). Even though there is still a lack of consensus regarding which practices entail a ‘high involvement’ or ‘high performance’ work system, certain practices are frequently included, such as training, information sharing and employee participation, recruitment and selection, and performance management (cf. Snell and Dean, 1992; Becker and Gerhart, 1996; Whitener, 2001; Searle et al., 2011). In this paper we build on literature sources on ‘high performance’ and ‘high involvement’ HRM practices to develop our own list of relevant determinants of a franchisee’s assessment of its franchisor and franchise system trustworthiness that are related of franchise relationship management. We use the three HRM practices of Castrogiovanni and Kidwell as a starting point, and add other relevant determinants as proposed in the franchising literature.

The first determinant is franchisee recruitment and selection (cf. Snell and Dean, 1992; Whitener, 2001; Evans and Davis, 2005). This determinant refers to the extensiveness of the franchisor’s franchisee selection process; does the franchisor use thorough procedures for evaluating prospective franchisees’ skills, knowledge and abilities so that the franchisee can successfully run a unit and fits in the franchise system? We propose that an extensive franchisee recruitment and selection process positively contributes to franchisees’ perceptions of their franchisor’s and franchise system’s trustworthiness because an extensive recruitment and selection process signals that the franchisor cares about the quality of the franchisees in its franchise system instead of attracting as many franchisees (and their entry fees and royalties) as possible.

The second determinant is franchisee training and development (cf. Snell and Dean, 1992; Becker and Gerhart, 1996; Whitener, 2001; Evans and Davis, 2005), which Castrogiovanni and Kidwell call ‘enhancement’. This refers to the extensiveness of the franchisees’ ‘initial training’ (i.e. training when entering the franchise system) and ‘ongoing training’ or development. A franchisor’s investment in its franchisees’ training and development can be seen by franchisees as a manifestation of the franchisor’s intentions and ability since it is aimed at improving franchisees’ skills that may help them in successfully running their businesses.

The third determinant entails franchisee rewards (cf. Snell and Dean, 1992; Whitener, 2001). Castrogiovanni and Kidwell (2010) refer to this as compensa-

tion. Franchisee rewards can entail financial and non-financial rewards. The franchisees' financial rewards are closely related to the profitability of its franchised unit(s); that means the revenue of the unit(s) minus all the costs. These costs include all the royalties or fees that the franchisee has to pay. The important role of the fee structure in understanding franchisees' trust in their franchise systems has already been pointed out by Croonen (2010). The franchisees also can receive non-financial rewards from the franchisor; they can include for example the possibility of opening new units (cf. tournament theories of Gillis et al., 2011), or the opportunity to join some special social activities that are not available to all franchisees, such as trips to suppliers or music concerts (mostly in a very attractive setting, cf. Croonen, 2006). For both types of franchisee rewards the reward system has to be equitable; it has to be fair and reasonable and treat all franchisees in an equal way (cf. Snell and Dean, 1992; Whitener, 2001). An equitable franchisee reward system provides franchisees with signals on the franchisor's care for its franchisees.

The fourth determinant is franchisee performance management (cf. Searle et al., 2011). This refers to how the franchisor sets expectations, and how it measures, reviews and manages franchisee performance. It can be argued that having an accurate and transparent performance management system demonstrates that the franchisor has the ability to manage its franchisees (cf. Mayer and Davis, 1999; Searle et al, 2011). Additionally, it can be argued that a franchisor's use of such systems demonstrate the franchisor's care for its franchisees' interests because the franchisor wants to recognize well-performing franchisees and help under-performing franchisees.

The fifth determinant refers to communication and franchisee participation (cf. Evans and Davis, 2005; Searle et al., 2011). This refers to the franchisor's frequency and openness of information provision and communication, and the opportunities that franchisees have for participation in decision making. Franchisee participation in decision making can take place in the form of a Franchise Advisory Council (Cochet and Ehrmann, 2007; Croonen, 2010). These two studies have already recognized the potentially important role of FACs in preventing franchisor misbehavior and creating franchise system trust. A well-organized FAC indicates to franchisees that the franchisor is willing to take their interests into account in a transparent way, which positively influences the franchisees' perceptions of their franchisors' benevolence and integrity.

The sixth determinant refers to conflict management (cf. Cutcher-Gershenfeld, 1991; Becker and Gerhart, 1996; Blum and Wall, 1997). This entails the procedures followed in conflict situations and the speed in which steps are taken. Franchisors that use clear and fair procedures for conflict management demonstrate an ability to manage conflicts and their willingness to solve conflicts, which is also an indication of their benevolence and integrity.

The seventh and final determinant is related to franchisor restrictions (cf. Morrison, 1996; Croonen, 2010) and consists of the franchisees' assessment of the fairness of the conditions of the franchise contract. These conditions include restrictions regarding the actual operation of the business (e.g. restrictions regarding purchasing, methods of operation, working hours, the level of investment that is

required), and the conditions of the franchise (e.g. the size of the exclusive territory, termination/renewal terms, the use of ‘implicit charges’, cf. Croonen, 2010).

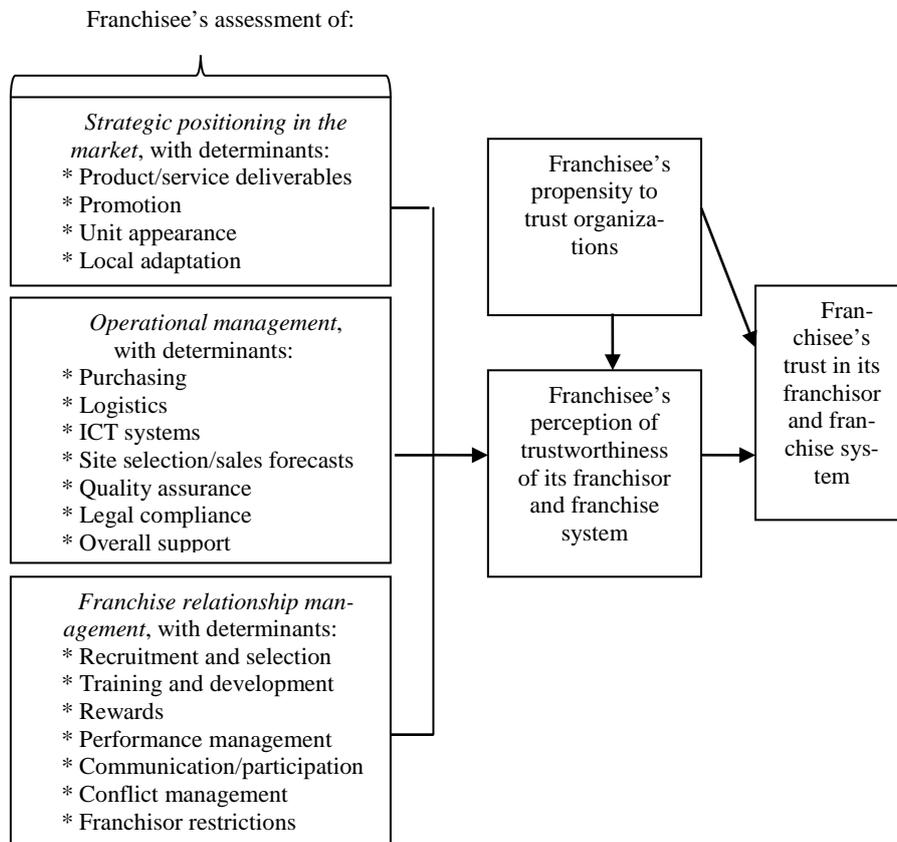
The above considerations lead to the following general proposition:

- ✓ *P5: The franchisee’s assessment of franchise relationship management in its franchise system positively influences the franchisee’s assessment of the trustworthiness of its franchisor and franchise system.*

3.4 Summary: a Theoretical Framework on Antecedents of Franchisee Trust

The above discussion has produced a theoretical framework with two main antecedents of a franchisee’s trust in its franchisor and franchise system: (1) the franchisee’s propensity to trust organizations, and (2) the franchisee’s assessment of the trustworthiness of its franchisor and franchise system. We have argued that the relationships between these antecedents and the franchisee’s trust in its franchisor and franchise system are moderated by the franchisee’s experience within this specific franchise system. Additionally, we have argued that franchisees will assess the trustworthiness of their franchisor and franchise system through three components that each comprises a group of determinants. These arguments lead to a comprehensive framework, explaining franchisee’s trust. This framework is presented in Figure 2.

Figure 2: Antecedents of a Franchisee’s Trust in its Franchisor and Franchise System



4 Conclusions and Implications

Franchising is an entrepreneurial strategy that has become dominant in various retailing sectors in multiple parts of the world. Franchising is based on a mutual relationship between the franchisor and its franchisees, the effectiveness of which depends on the level of trust between the partners within this relationship. Franchisors have to manage a whole set of such individual relationships simultaneously, which is a very complex task. When we look at the literature to see whether there is extant conceptual or empirical work that provides insight in the antecedents of franchisee trust, which could help franchisors in managing their franchise relationships, we must conclude that there is a significant gap in the literature. This paper aims at combining earlier work on trust in other organizational contexts with the scarce work on trust in franchise relationships to develop a theoretical framework. This framework presents a comprehensive overview of the main antecedents of a franchisee's trust in its franchisor and franchise system (i.e. propensity to trust and trustworthiness), and the determinants of those antecedents in a franchise context.

The contributions of this paper can be summarized as follows. First, we add to the franchising literature by taking the franchisee's perspective as opposed to the franchisor's perspective, which has attracted most research attention in the past (cf. Dant, 2008; Michael and Combs, 2008; Davies et al., 2011). As a result, we contribute to a better understanding of the behavior of a specific group of small business owners, namely franchisees. Such understanding is important for academics and policy makers trying to grasp the functioning of franchise systems that have become so important in today's economy. Second, given the importance of franchisee trust for franchise system performance, the lack of research on antecedents of franchisee trust represents an important knowledge gap in the franchising literature. This paper starts to fill this gap by developing a comprehensive framework taking a multidimensional approach in defining franchisee trust. In doing so, we integrate franchising literature with literature on trust in other organizational contexts. Additionally, this paper provides an argument for conceptually distinguishing between propensity to trust individuals and propensity to trust organizations. Although we base this new distinction on specific characteristics of franchise systems and observations of real life franchise situations, we expect that such a distinction could also be useful in other contexts.

This paper has some limitations as well. First, we have ignored a potentially relevant literature stream in our theoretical discussion, which is the literature on fairness and justice (see Cohen-Charash and Spector, 2001 for different forms of fairness/justice and a meta-analysis). Several researchers have argued that there is a clear link between different forms of fairness or justice perceptions on the one hand, and trust on the other hand. The fairness/justice literature also provides a framework that can be used to obtain a more systematic understanding of antecedents of trust and determinants of trustworthiness. However, it can be argued that the way in which organizations implement HRM practices largely influences the organizational members' fairness/justice perceptions, so we have covered some determinants of organizational trustworthiness that are related to fairness/justice.

According to Searle et al. (2011), research on HRM and justice/fairness has progressed quite independently and a fruitful area of future research would be to integrate these two perspectives in a more comprehensive model. This leads us to the second limitation of our paper; the framework that we currently produced is comprehensive, but at the same time it is complex. Our paper has not yet theorized or presented empirical data on the relative importance of the different determinants of a franchisee's assessment of its franchisor's and franchise system's trustworthiness. This is a fruitful area for future research because it would make the theoretical model less complex and it would provide franchisors with insights into the most important instruments that they can use to maintain and/or create trust among their franchisees. The third and final limitation of this paper is that we have focused on the antecedents of only one level of franchisee trust; the organizational level. Since personal and organizational trust are related (cf. Zaheer et al., 1998) it would have been useful to also distinguish antecedents of a franchisee's personal trust and to theorize on how these two levels of franchisee trust (i.e. personal trust and organizational trust) affect desired or undesired franchisee behaviors and ultimately franchise system performance.

The paper's limitations lead to several implications for future research. First of all, the theory presented in this paper needs to be tested in an empirical setting. Considering the volume and quality of extant empirical work on the antecedents of trust in non-franchise contexts, it should be very well possible to develop a quantitative study to test the propositions developed in this paper. We would propose to conduct such a first test in a relatively controlled situation such as one large franchise system (cf. Davies et al., 2011). Within one chain all franchisees operate in the same system, and deal with the same franchisor. This approach diminishes the risk of disturbances by other possible factors influencing trust. The study of one specific system would also provide the opportunity to work closely with the franchisor and being able to obtain additional data about the respondents, such as objective performance data, unit and franchisee demographics, et cetera. Such data can be relevant to include as controls in the quantitative analysis. A second implication for future research builds on the fact that this paper also produces some ideas for researchers aiming to study the consequences of franchisee trust as opposed to its antecedents. Since previous research studying the consequences of franchisee trust has largely treated franchisee trust as a unidimensional and single level construct (the exceptions are Croonen, 2010 and Davies et al., 2011), this paper indicates that in studying the consequences of franchisee trust, researchers should also take into account different dimensions and levels of franchisee trust and to see how they together impact outcomes, such as franchisee compliance, franchisee commitment or franchisee retaliation behaviors.

Finally, this paper also has implications for practice. Franchisors have to realize that franchisee trust is an important determinant of franchise system performance but that franchisee trust is a complex concept that is influenced by an array of determinants. The framework presented in this paper provides franchisors with a checklist of possible instruments that could be used to enhance trust. In combination with some form of measurement and monitoring of franchisee trust, the instruments can be used to enhance the effectiveness of the franchise system. Con-

sidering the complex task of managing a network of legally independent franchisees within a franchise system, such support would be actually very welcome to many.

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